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AMCONSUL CIUDAD JUAREZ

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E.O. 11652: N/A

TAGS: EGEN, MX

SUBJECT: PRESIDENT, CABINET REVIEW GOM DOMESTIC AND FOREIGN
ECONOMIC POLICY

REF: MEXICO 6771 AND MEXICO 6765

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1. SUMMARY. PRESIDENT ECHEVERRIA AND SEVERAL MEMBERS OF HIS CABINET MET FOR SOME TEN HOURS ON SEPT. 10 WITH THE SOCIETY OF MEXICAN ENGINEERS IN A SESSION WHICH TURNED OUT TO BE A FULL-SCALE REVIEW OF GOM ECONOMIC AND FINANCIAL POLICY. MEANWHILE, FOREIGN SECRETARY RABASA AND TREASURY SECRETARY LOPEZ PROTILLO HAVE BEEN URGING SUPPORT FOR MEXICO'S FOREIGN ECONOMIC POLICIES, WHICH PRESENTLY REVOLVE AROUND THE ECHEVERIA CHARTER OF ECONOMIC RIGHTS AND DUTIES, AND A CONCERTED EFFORT TO INTERNATIONALIZE CONTROL OF FOREIGN INVESTMENT AND TECHNOLOGY TRANSFER. END SUMMARY.

2. PRESIDENT'S POLICY STATEMENTS. PRESIDENT ECHEVERRIA INITIATED THE USUAL POST-INFORME SERIES OF POLICY PRONOUNCEMENTS WHILE ADDRESSING THE ANNUAL MEETING OF THE SOCIEDAD MEXICANA DE INGENIEORS ON SEPT 10. THIS TEN-HOUR SESSION, AS DETAILED BELOW, BELO WAS ADDRESSED BY SEVERAL CABINET MEMBERS AND KEY SUB-CABINET OFFICERS. THE PRESIDENT, REITERATING MANY POINTS FROM THE INFORME (MEXICO 6564), REVIEWED THE ACHIEVEMENTS OF THE FIRST HALF OF HIS SIX-YEAR TERM, AND OUTLINED POLICY GOALS FOR THE FUTURE. HE NOTED THAT DESPITE THE CONSIDERABLE ACHIEVEMENTS OF HIS FIRST THREE YEARS, HIS ADMINISTRATION WOULD HAVE TO ACCOMPLISH EVEN MORE DURING THE REMAINDER OF HIS TERM. THIS WILL NOT BE POSSIBLE, HE ADDED, WITHOUT THE SUPPORT OF ALL MEXICANS. "IT IS NECESSARY FOR MEXICANS TO LOOK BEYOND INDIVIDUAL GAIN OF PROFIT, AND TO SEEK INSTEAD COMMON SOLUTIONS TO OUR COMMON PROBLEMS," THE PRESIDENT SAID. THE PRESIDENT EMPHASIZED THE FACT THAT THE ADMINISTRATION HAS ESCHewed SHOWPLACE PROJECTS AND HAS CONCENTRATED ON BALANCED ECONOMIC DEVELOPMENT, WHICH MEANS MORE THAN MERE GROWTH, BUT INCLUDES THE BUILDING OF LASTING INSTITUTIONS IN ALL SECTORS OF THE ECONOMY, AND IMPROVING THE DISTRIBUTION OF INCOME AMONG THE NATION'S PEOPLE. (IN THIS REGARD, IT IS INTERESTING TO NOTE THAT ANOTHER CONFERENCE PARTICIPANT, ING. ABEL NAVARRO, STATED THAT THE FIVE PERCENT AT THE TOP OF MEXICO'S ECONOMIC LADDER RECEIVE FORTY PERCENT OF THE INCOME, WHILE THE LOWER FORTY PERCENT RECEIVE ONLY ELEVEN PERCENT.) THE PRESIDENT DREW A DRAMATIC PICTURE OF THE WIDENING GAP BETWEEN THE RICH AND THE POOR NATIONS OF THE WORLD, AND PLEDGED THAT MEXICO WOULD MAKE EVERY EFFORT IN THE INTERNATIONAL FIELD TO NARROW THIS GAP, ADDING THAT THIS WAS ONE OF THE KEY POINTS OF HIS CHARTER OF ECONOMIC RIGHTS AND DUTIES. RETURNING TO THE DOMESTIC SCENE, HE CALLED FOR EVER-CLOSER COLLABORATION BETWEEN THE PUBLIC AND PRIVATE LIMITED OFFICIAL USE

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SECTORS, AND VIGOROUSLY ATTACKED THOSE WHO MADE ILL-JUDGED, UNFACTUAL, AND DESTRUCTIVE CRITICISMS OF HIS ADMINISTRATION. HE DESCRIBED SUCH CRITICISM AS AN ABUSE OF THE FREEDOMS WHICH MEXICANS ENJOY*

3. AGRICULTURE. EXPANDING ON REMARKS MADE EARLIER BY THE PRESIDENT, ING. ENRIQUE PEREZ GONZALEZ, STRESSED THE NEED FOR GREATER PRODUCTION OF CORN, COTTON, AND OTHER PRODUCTS BY MEXICO'S AGRICULTURAL SECTOR. HE SAID THAT, IN ORDER TO ACCOMPLISH THIS,

PRIVATE SECTOR FINANCIAL INSTITUTIONS MUST PLAY A LARGER ROLE IN GRANTING AGRICULTURAL CREDITS. PUBLIC SECTOR ASSISTANCE ALONE HE ADDED, WAS INSUFFICIENT TO MEET CURRENT INCREASED PRODUCTION GOALS.

4. FISHERIES POLICY. ING. HECTOR MEDINA NERI, SUBSECRETARY FOR FISHERIES IN THE SECRETARIAT OF INDUSTRY AND COMMERCE, OUTLINED MEXICO'S FISHERIES POLICY. HE NOTED THAT CATCHES OF SUCH FISH AS SARDINES AND TUNA HAD DOUBLED IN THE PAST THREE YEARS, AND PREDICTED THAT THEY WOULD CONTINUE TO INCREASE AT A PROPORTIONATE RATE. AMONG THE PROGRAMS WHICH HE DESCRIBED WERE THE INTRODUCTION OF MODERN FISHING TECHNIQUES TO EJIDATARIOS, AND THE CREATION OF SOME FIFTEEN FISHERMEN'S COOPERATIVES. HE ADDED THAT MEXICO HAS SOME 1,500 SHRIMP TRAWLERS OPERATING AT PRESENT, WITH ABOUT 900 ON THE PACIFIC COAST OF MEXICO, AND SOME 600 IN THE GULF OF MEXICO.

5. TRANSPORT AND COMMUNICATIONS. ING. LUIS ENRIQUE BRACAMONTES, SECRETARY OF PUBLIC WORKS, SPOKE OF THE ADMINISTRATION'S CONTINUING EFFORT TO CONSOLIDATE AND TO EXTEND THE TRANSPORTATION AND COMMUNICATIONS INFRASTRUCTURE IN MEXICO. BRACAMONTES STRESSED THE ACHIEVEMENTS DURING THE PAST THREE YEARS IN HIGHWAY CONSTRUCTION. ALSO DISCUSSED WERE POSSIBLE MODIFICATIONS OF EXISTING RADIO AND TELECOMMUNICATIONS LAWS; AND THE MODERNIZATION PLANS FOR MEXICAN RAILROADS, OUTLINED BY LUIS GOMEZ ZAPEDA, DIRECTOR GENERAL OF FERROCARRILLES NACIONALES DE MEXICO (FNM, THE NATIONAL RAILWAY ADMINISTRATION). LIC. HUGO CERVANTES DEL RIO, SECRETARY OF THE PRESIDENCY, ADDED THAT MEXICO'S PORTS WERE A MOST IMPORTANT FEATURE OF ITS TRANSPORTATION NETWORK, AND EXPLAINED THE CREATION OF THE NEW NATIONAL POST COORDINATING COMMISSION, AND ITS PLAN TO MODERNIZE SOME TEN EXISTING PORTS, FACILITATING EXPORT AND IMPORT OF MERCHANDISE CONSIDERABLY. RED TAPE IS ALSO TO BE CUT AT MEXICAN PORTS, CERVANTES DEL RIO ADDED, NOTING LIMITED OFFICIAL USE

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THAT THE GOAL WAS TO SPEED UP EXPORT AND IMPORT PAPERWORK BY 90 PERCENT.

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INFO USMISSION GENEVA

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AMCONSUL CIUDAD JUAREZ

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6. ELECTRIC POWER. LIC. ARSENIO FARE H, DIRECTOR GENERAL OF THE COMISION FEDERAL DE ELECTRICIDAD (CFE, STATE ELECTRIC POWER AGENCY), OUTLINED CFE'S PLANS TO MEET MEXICO'S POWER NEEDS, WHICH ARE GROWING AT A 10-12 PERCENT ANNUAL RATE. HE STRESSED THAT LESS RELIANCE WILL BE PLACED IN THE FUTURE ON THERMO-LIMITED OFFICIAL USE

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ELECTIRC PLANS USING SCARCE FUEL OIL, WHILE GREATER EMPHSIS WILL BE GIVEN TO NUCLEAR POWER (A SECOND NUCLEAR POWER PLANT WILL BE BUILT SIMILAR TO THE ONE UNDER CONSTRUCTION AT LAGUNA VERDE), MORE EXPLORATION WILL BE UNDERTAKEN TO DETERMINE THE FEASIBILITY OF GEOTHERMAL FACILITIES SUCH AS THE ONE AT CERRO PRIETO, HYDROELECTRIC POTENTIAL WILL BE UTILIZED TO THE FULLEST POSSIBLE EXTENT, AND GREATER USE WILL BE MADE OF GAS AND COAL-

UTILIZING THERMOELECTRIC PROCESSES. HE EXPRESSED CONFIDENCE THAT CFE, ASSISTED BY CREDITS FROM THE PRIVATE SECTOR AND FINANCIAL AID FROM THE PUBLIC SECTOR, WOULD BE ABLE TO MEET MEXICO'S GROWING NEEDS IN THE FUTURE.

7. PUBLIC HEALTH. DR. JORGE JIMENEZ CANTU, SECRETARY OF HEALTH AND WELFARE, REPORTED ON THE RECENTLY-CONCLUDED NATIONAL CONVENTION OF HEALTH WHICH TOOK PLACE IN MEXICO CITY, AND ON HIS MINISTRY'S TEN-YEAR PLAN TO IMPROVE PUBLIC HEALTH SERVICES THROUGHOUT THE NATION. HE POINTED OUT THAT, WHILE HEALTH CARE WAS VERY MUCH NEEDED IN OVERCROWDED URBAN AREAS, THE GREATEST NEED FOR PUBLIC HEALTH SERVICES WAS REALLY IN MEXICO'S RURAL SECTOR, WHERE MILLIONS OF MEXICANS ARE STILL WITHOUT MODERN HEALTH CARE FACILITIES. DR. JIMENEZ CANTU ALSO SPOKE ON THE NEED FOR IMPROVED CONTROL OF ENVIRONMENTAL POLLUTION.

8. POPULATION. SECRETARY OF GOBERNACION (INTERIOR) MARIO MAYO PALENCIA EXPANDED ON EARLIER REMARKS WHICH HE HAD MADE ON MEXICO PROGRAM TO CONTROL POPULATION GROWTH, AND THE INITIATIVES BEING UNDERTAKEN TO PREPARE A NEW POPULATION LAW (SEE MEXICO 6675 AND MEXICO A 471).

9. STATE-OWNED ENTERPRISES. ING. HORACIO FLORES DE LA PENA, SECRETARY OF NATIONAL PATRIMONY, PRAISED THE ROLE OF STATE OWNED OR CONTROLLED ENTERPRISES IN MEXICO. HE NOTED THAT AT PRESENT, 323 COMPANIES ARE OPERATING IN MEXICO UNDER MAJORITY CONTROL OF THE STATE, AND THAT 234 COMPANIES HAVE A MINORITY GOM INTEREST. THESE 558 FIRMS HAVE SOME 178 BILLION PESOS (14.2 BILLION DOLLARS) IN ASSETS, PRODUCE 80 BILLION PESOS (6.4 BILLION DOLLARS) IN EARNINGS EACH YEAR, AND PAY OUT 23 BILLION PESOS (1.84 BILLION DOLLARS) IN SALARIES EACH YEAR. THESE ENTERPRISES MAKE SUBSTANTIAL CONTRIBUTIONS TO MEXICO'S ECONOMIC DEVELOPMENT, ACCORDING TO ING. FLORES DE LA PENA, WHOSE MINISTRY SUPERVISES THEIR ACTIVITIES, AND ARE AMONG THE FASTEST-GROWING ENTERPRISES IN LIMITED OFFICIAL USE

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MEXICO'S INDUSTRIAL SECTOR.

10. PUBLIC FINANCE POLICY. ALSO IN RECENT DAYS, PRESIDENT ECHEVERRIA HAS ANNOUNCED THAT THERE WILL BE NO NEW TAXES DURING THE REMAINDER OF THIS YEAR OR IN 1974. THE PRESIDENT ANNOUNCED THAT 1) THE PRESENT TAX RATES WILL REMAIN UNCHANGED DURING THE NEXT FIFTEEN MONTHS, 2) THAT NO NEW TAXES WILL BE APPLIED, BUT 3) TAX ENFORCEMENT MEASURES WILL BE REDOUBLED. THE ANNOUNCED PURPOSE OF THE DECLARATION WAS TO PERMIT BUSINESSMEN TO MAKE BUSINESS EXPANSION AND INVESTMENT PLANS IN A STABLE PUBLIC FINANCE ENVIRONMENT. IT IS SAFE TO ASSUME THAT AT LEAST A FEW BUSINESSMEN WERE LESS THAN ENTHUSIASTIC ABOUT THE THIRD POINT MADE BY THE PRESIDENT IN HIS ANNOUNCEMENT. MEXICAN PRESS COMMENTS, INCLUDING AN EDITORIAL IN NOVEDADES ON SEPTEMBER 13,

APPLAUDED THE GOM DECISION ON TAXES. WITH REGARD TO TAX ENFORCEMENT LIC. GUSTAVO PETRICIOLI, UNDERSECRETARY OF THE TREASURY IN CHARGE OF TAX ADMINISTRATION, STATED ON SEPT. 12 THAT THE PRINCIPAL TAX EVADERS IN MEXICO WERE THE MULTINATIONAL CORPORATIONS, WHO MANIPULATE THEIR PROFIT FIGURES WITH ARTIFICIALLY-SET PURCHASE AND SALES PRICES, OR WHO CHARGE THEIR SUBSIDIARIES EXORBITANT PRICES FOR TECHNOLOGY, TRADEMARKS, OR PATENTS. THESE REMARKS ARE SEEN BY THE EMBASSY AS A CONTINUATION OF THE ORCHESTRATED GOM CAMPAIGN FOR THE IMPOSITION OF INTERNATIONAL CONTROLS ON MULTINATIONALS(SEE PARA 11, BELOW, AND MEXICO 6771).

11. MEXICO FOREIGN ECONOMIC POLICY. ALTHOUGH NOT A PRINCIPAL SUBJECT AT THE SEPT. 10 MARATHON SESSION, SEVERAL VERY RECENT DEVELOPMENTS ON THE INTERNATIONAL ECONOMIC POLICY SCENE MERIT ATTENTION. THE FIRST CAN BE DESCRIBED AS A CONCERTED EFFORT ON MEXICO'S PART TO INTERNATIONALIZE THE SYSTEM OF CONTROLS ON FOREIGN INVESTMENT AND TECHNOLOGY TRANSFER WHICH IT HAS RECENTLY APPLIED ON THE DOMESTIC SCENE. UNDERSECRETARY OF INDUSTRY AND COMMERCE JOSE CAMPILLO SAINZ IS IN NEW YORK THIS WEEK, ADDRESSING THE QUESTION OF INTERNATIONAL CONTROL OF FOREIGN INVESTMENT (MEXICO 6771), AND CONSIDERABLE PUBLICITY IS BEING GIVEN LOCALLY TO HIS EFFORTS TO "COMPLEMENT" PRESIDENT ECHEVERRIA'S CHARTER OF ECONOMIC RIGHTS AND DUTIES WITH AN INTERNATIONAL CODE OF CONDUCT, SANCTIONED BY THE UNITED NATIONS, TO CONTROL THE OPERATIONS OF MULTINATIONAL CORPORATIONS. THE ECHEVERRIA CHARTER,

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ALSO TOUTED BY SECRETARY OF THE TREASURY JOSE LOPEZ PORTILLO THIS WEEK AT THE GATT MEETINGS IN TOKYO (MEXICO 6734), IS ALLEGED BY FOREIGN SECRETARY EMILIO RABASA TO HAVE BEEN "UNANIMOUSLY ACCLAIMED" BY THE NON-ALIGNED COUNTRIES IN ALGIERS LAST WEEK (MEXICO 6765). SECRETARY LOPEZ PORTILLO IS EXPECTED TO URGE SUPPORT OF THE CHARTER DURING THE COURSE OF THE NAIROBI IMF/IBRD MEETINGS LATER THIS MONTH (MEXICO 6678), AND, OF COURSE, IT IS THE HIGHEST PRIORITY ITEM ON THE MEXICAN AGENDA FOR THE UNGA THIS FALL.
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